
HOUSE BILL No. 1625

DIGEST OF INTRODUCED BILL

Citations Affected: IC 2-3.5-5-3; IC 5-10.2-2.

Synopsis: Guaranteed pension investment option. Establishes certificates of deposit or another guaranteed investment as an investment option for members of the legislators' defined contribution plan and state employees who are members of the public employees' retirement fund.

Effective: July 1, 2009.

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January 22, 2009, read first time and referred to Committee on Financial Institutions.

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First Regular Session 116th General Assembly (2009)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2008 Regular Session of the General Assembly.

HOUSE BILL No. 1625

A BILL FOR AN ACT to amend the Indiana Code concerning pensions.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 2-3.5-5-3 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 3. (a) The PERF board
3 shall establish alternative investment programs within the fund, based
4 on the following requirements:

5 (1) The PERF board shall maintain at least one (1) alternative
6 investment program that is an indexed stock fund and one (1)
7 alternative investment program that is a bond fund.

8 (2) The programs should represent a variety of investment
9 objectives.

10 (3) The programs may not permit a member to withdraw money
11 from the member's account, except as provided in section 6 of this
12 chapter.

13 (4) All administrative costs of each alternative program shall be
14 paid from the earnings on that program.

15 (5) A valuation of each member's account must be completed as
16 of the last day of each quarter.

17 (b) A member shall direct the allocation of the amount credited to



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the member among the available alternative investment funds, subject to the following conditions:

(1) A member may make a selection or change an existing selection under rules established by the PERF board. The PERF board shall allow a member to make a selection or change any existing selection at least once each quarter.

(2) The PERF board shall implement the member's selection beginning the first day of the next calendar quarter that begins at least thirty (30) days after the selection is received by the PERF board. This date is the effective date of the member's selection.

(3) A member may select any combination of the available investment funds, in ten percent (10%) increments.

(4) A member's selection remains in effect until a new selection is made.

(5) On the effective date of a member's selection, the board shall reallocate the member's existing balance or balances in accordance with the member's direction, based on the market value on the effective date.

(6) If a member does not make an investment selection of the alternative investment programs, the member's account shall be invested in the PERF board's general investment fund.

(7) All contributions to the member's account shall be allocated as of the last day of the quarter in which the contributions are received in accordance with the member's most recent effective direction. The PERF board shall not reallocate the member's account at any other time.

(c) When a member transfers the amount credited to the member from one (1) alternative investment program to another alternative investment program, the amount credited to the member shall be valued at the market value of the member's investment, as of the day before the effective date of the member's selection. When a member retires, becomes disabled, dies, or withdraws from the fund, the amount credited to the member shall be the market value of the member's investment as of the last day of the quarter preceding the member's distribution or annuitization at retirement, disability, death, or withdrawal, plus contributions received after that date.

(d) The PERF board shall determine the value of each alternative program in the defined contribution fund, as of the last day of each calendar quarter, as follows:

(1) The market value shall exclude the employer contributions and employee contributions received during the quarter ending on the current allocation date.

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(2) The market value as of the immediately preceding quarter end date shall include the employer contributions and employee contributions received during that preceding quarter.

(3) The market value as of the immediately preceding quarter end date shall exclude benefits paid from the fund during the quarter ending on the current quarter end date.

(e) In addition to the alternate investment programs established under subsection (a), the PERF board shall allow a member, under rules established by the PERF board, to direct that amounts credited to the member's account be invested in a certificate of deposit or another investment that:

(1) is insured by the Federal Deposit Insurance Corporation or an equivalent federal or state entity; or

(2) guarantees the return of the initial amount invested by the member, plus a fixed amount of interest.

SECTION 2. IC 5-10.2-2-3, AS AMENDED BY P.L.2-2006, SECTION 21, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 3. (a) The annuity savings account consists of:

(1) the members' contributions; ~~and~~

(2) the interest credits on ~~these~~ contributions in the guaranteed fund; ~~or~~

(3) interest on contributions invested as described in subsection (h); and

(4) the gain or loss in market value on ~~these~~ contributions in the alternative investment program, as specified in section 4 of this chapter.

Each member shall be credited individually with the amount of the member's contributions, ~~and~~ interest credits, **and interest on contributions invested as described in subsection (h).**

(b) Each board shall maintain the annuity savings account program in effect on December 31, 1995 (referred to in this chapter as the guaranteed program). In addition, the board of the Indiana state teachers' retirement fund shall establish and maintain a guaranteed program within the 1996 account. Each board may establish investment guidelines and limits on all types of investments (including, but not limited to, stocks and bonds) and take other actions necessary to fulfill its duty as a fiduciary of the annuity savings account, subject to the limitations and restrictions set forth in IC 5-10.3-5-3 and IC 5-10.4-3-10.

(c) Each board shall establish alternative investment programs within the annuity savings account of the public employees' retirement fund, the pre-1996 account, and the 1996 account, based on the

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1 following requirements:

2 (1) Each board shall maintain at least one (1) alternative
3 investment program that is an indexed stock fund and one (1)
4 alternative investment program that is a bond fund.

5 (2) The programs should represent a variety of investment
6 objectives under IC 5-10.3-5-3.

7 (3) No program may permit a member to withdraw money from
8 the member's account except as provided in IC 5-10.2-3 and
9 IC 5-10.2-4.

10 (4) All administrative costs of each alternative program shall be
11 paid from the earnings on that program or as may be determined
12 by the rules of each board.

13 (5) A valuation of each member's account must be completed as
14 of:

15 (A) the last day of each quarter; or

16 (B) another time as each board may specify by rule.

17 (d) The board must prepare, at least annually, an analysis of the
18 guaranteed program and each alternative investment program. This
19 analysis must:

20 (1) include a description of the procedure for selecting an
21 alternative investment program;

22 (2) be understandable by the majority of members; and

23 (3) include a description of prior investment performance.

24 (e) A member may direct the allocation of the amount credited to
25 the member among the guaranteed fund and any available alternative
26 investment funds, subject to the following conditions:

27 (1) A member may make a selection or change an existing
28 selection under rules established by each board. A board shall
29 allow a member to make a selection or change any existing
30 selection at least once each quarter.

31 (2) The board shall implement the member's selection beginning
32 the first day of the next calendar quarter that begins at least thirty
33 (30) days after the selection is received by the board or an
34 alternate date established by the rules of each board. This date is
35 the effective date of the member's selection.

36 (3) A member may select any combination of the guaranteed fund
37 or any available alternative investment funds, in ten percent
38 (10%) increments or smaller increments that may be established
39 by the rules of each board.

40 (4) A member's selection remains in effect until a new selection
41 is made.

42 (5) On the effective date of a member's selection, the board shall

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1 reallocate the member's existing balance or balances in
2 accordance with the member's direction, based on:

3 (A) for an alternative investment program balance, the market
4 value on the effective date; and

5 (B) for any guaranteed program balance, the account balance
6 on the effective date.

7 All contributions to the member's account shall be allocated as of
8 the last day of that quarter or at an alternate time established by
9 the rules of each board in accordance with the member's most
10 recent effective direction. The board shall not reallocate the
11 member's account at any other time.

12 (f) When a member who participates in an alternative investment
13 program transfers the amount credited to the member from one (1)
14 alternative investment program to another alternative investment
15 program or to the guaranteed program, the amount credited to the
16 member shall be valued at the market value of the member's
17 investment, as of the day before the effective date of the member's
18 selection or at an alternate time established by the rules of each board.
19 When a member who participates in an alternative investment program
20 retires, becomes disabled, dies, or suspends membership and withdraws
21 from the fund, the amount credited to the member shall be the market
22 value of the member's investment as of the last day of the quarter
23 preceding the member's distribution or annuitization at retirement,
24 disability, death, or suspension and withdrawal, plus contributions
25 received after that date or at an alternate time established by the rules
26 of each board.

27 (g) When a member who participates in the guaranteed program
28 transfers the amount credited to the member to an alternative
29 investment program, the amount credited to the member in the
30 guaranteed program is computed without regard to market value and is
31 based on the balance of the member's account in the guaranteed
32 program as of the last day of the quarter preceding the effective date of
33 the transfer. However, each board may by rule provide for an alternate
34 valuation date. When a member who participates in the guaranteed
35 program retires, becomes disabled, dies, or suspends membership and
36 withdraws from the fund, the amount credited to the member shall be
37 computed without regard to market value and is based on the balance
38 of the member's account in the guaranteed program as of the last day
39 of the quarter preceding the member's distribution or annuitization at
40 retirement, disability, death, or suspension and withdrawal, plus any
41 contributions received since that date plus interest since that date.
42 However, each board may by rule provide for an alternate valuation

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1 date.

2 **(h) This subsection applies to a member of the public employees'**
 3 **retirement fund who is a state employee. In addition to the**
 4 **guaranteed program maintained under subsection (b) and the**
 5 **alternate investment programs established under subsection (c),**
 6 **the board of the public employees' retirement fund shall allow a**
 7 **member, under rules established by the board, to direct that**
 8 **amounts credited to the member's annuity savings account be**
 9 **invested in a certificate of deposit or another investment that:**

10 **(1) is insured by the Federal Deposit Insurance Corporation**
 11 **or an equivalent federal or state entity; or**

12 **(2) guarantees the return of the initial amount invested by the**
 13 **member, plus a fixed amount of interest.**

14 SECTION 3. IC 5-10.2-2-4 IS AMENDED TO READ AS
 15 FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 4. (a) Interest shall be
 16 credited and compounded at least annually on all amounts credited to
 17 the member in the guaranteed program. For the guaranteed program,
 18 the board shall annually establish an interest credit rate equal to or less
 19 than the investment income earned.

20 (b) The market value of each alternative investment program shall
 21 be allocated at least annually to the members participating in that
 22 program.

23 (c) Contributions to the guaranteed program and the alternative
 24 investment programs shall be invested as of the last day of the quarter
 25 in which the contributions are received. Contributions to the
 26 guaranteed program shall begin to accumulate interest at the beginning
 27 of the quarter after the quarter in which the contributions are received.

28 (d) When a member retires or withdraws with a balance in the
 29 guaranteed program, a proportional interest credit determined by the
 30 board shall be granted for the period elapsed since the last interest date
 31 on that balance.

32 **(e) The board of the public employees' retirement fund shall**
 33 **establish by rule the crediting of interest to an investment**
 34 **described in section 3(h) of this chapter.**

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